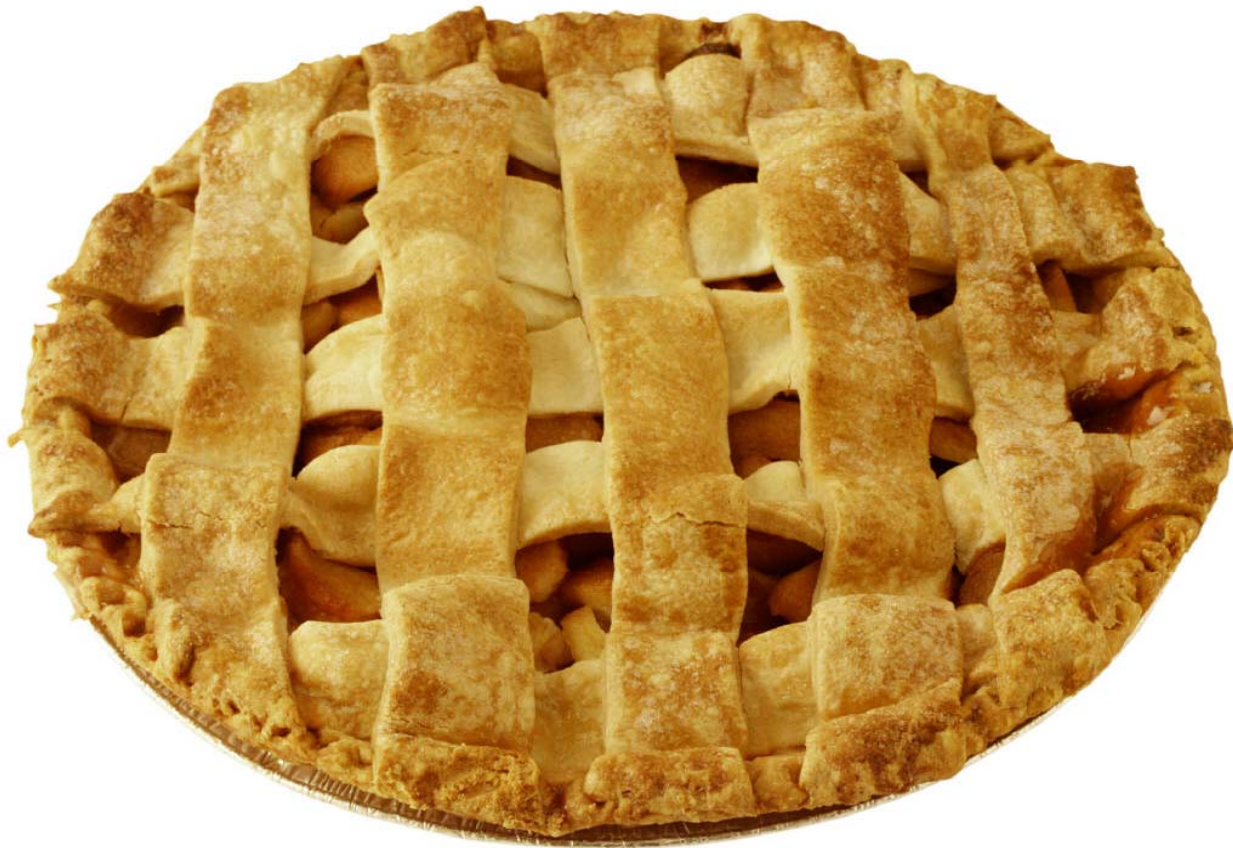


# Oil and Natural Gas Production Taxes

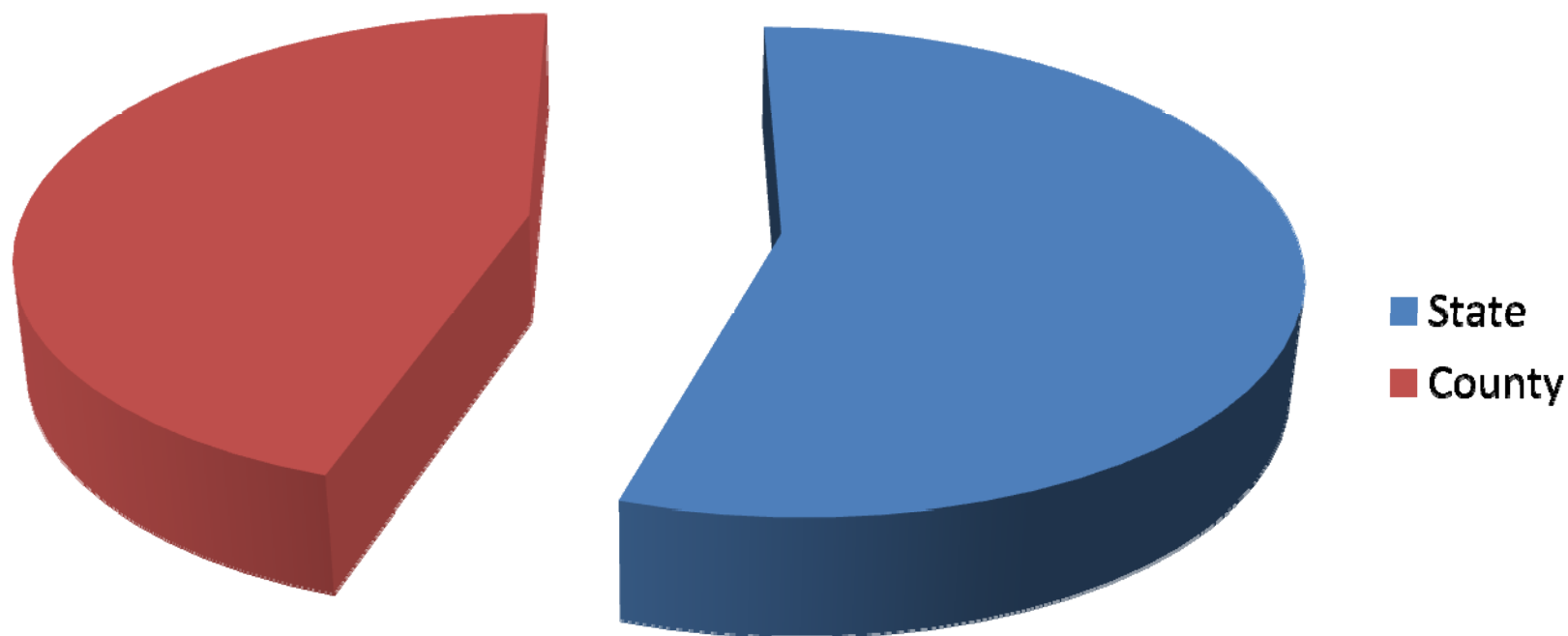
Divvying up the pie



# First Slice of the Pie

## MCA, 15-36-331

### Oil and Natural Gas Production Taxes



[http://revenue.mt.gov/forbusinesses/taxes\\_licenses\\_fees\\_permits/natural\\_resources\\_quarterly\\_distribution\\_reports.mcp](http://revenue.mt.gov/forbusinesses/taxes_licenses_fees_permits/natural_resources_quarterly_distribution_reports.mcp)

MT\_FR005 - COGS Quarterly County Distribution

Run Date: Wednesday April 27, 2011

Quarter Ending: December 31, 2010

<u>COUNTY</u>	<u>COLLECTIONS*</u>	<u>DISTRIBUTIONS</u>
BIG HORN	\$655,715.31	\$295,399.62
BLAINE	\$956,257.81	\$558,359.35
CARBON	\$913,961.07	\$441,168.98
CARTER	\$50,057.05	\$25,103.63
CHOUTEAU	\$86,565.27	\$50,328.98
CUSTER	\$4,210.09	\$2,927.28
DANIELS	\$9,052.04	\$4,599.28
DAWSON	\$811,623.89	\$387,875.07
FALLON	\$11,755,533.01	\$4,911,461.68
FERGUS	\$1,996.46	\$1,381.16
GARFIELD	\$29,504.91	\$13,560.45
GLACIER	\$790,538.46	\$465,073.73
GOLDEN VALLEY	\$29,234.47	\$17,064.17
HILL	\$418,180.37	\$269,769.28
LIBERTY	\$326,027.03	\$188,900.03
MCCONE	\$17,777.17	\$8,874.35
MUSSELSHELL	\$310,455.46	\$151,005.54
PETROLEUM	\$35,450.15	\$17,030.21
PHILLIPS	\$1,002,937.09	\$541,786.70
PONDERA	\$211,633.52	\$114,832.36
POWDER RIVER	\$967,341.93	\$589,111.21
PRAIRIE	\$133,543.93	\$53,925.04
RICHLAND	\$22,889,151.51	\$10,865,468.19
ROOSEVELT	\$2,299,116.53	\$1,050,925.81
ROSEBUD	\$551,673.78	\$216,973.31
SHERIDAN	\$2,636,719.98	\$1,265,361.41
STILLWATER	\$18,706.52	\$10,009.84
SWEET GRASS	\$5,685.76	\$3,481.95
TETON	\$91,149.95	\$42,020.32
TOOLE	\$856,093.06	\$493,195.35
VALLEY	\$272,229.86	\$140,007.84
WIBAUX	\$1,719,077.28	\$845,098.38
YELLOWSTONE	\$22,887.84	\$10,697.77
BOARD OF OIL AND GAS	\$474,137.27	\$0.00
OIL, GAS & COAL NATURAL RESOURCE ACCOUNT	\$895,246.91	\$0.00
<b>TOTALS:</b>	<b>\$52,249,472.74</b>	<b>\$24,052,778.27</b>



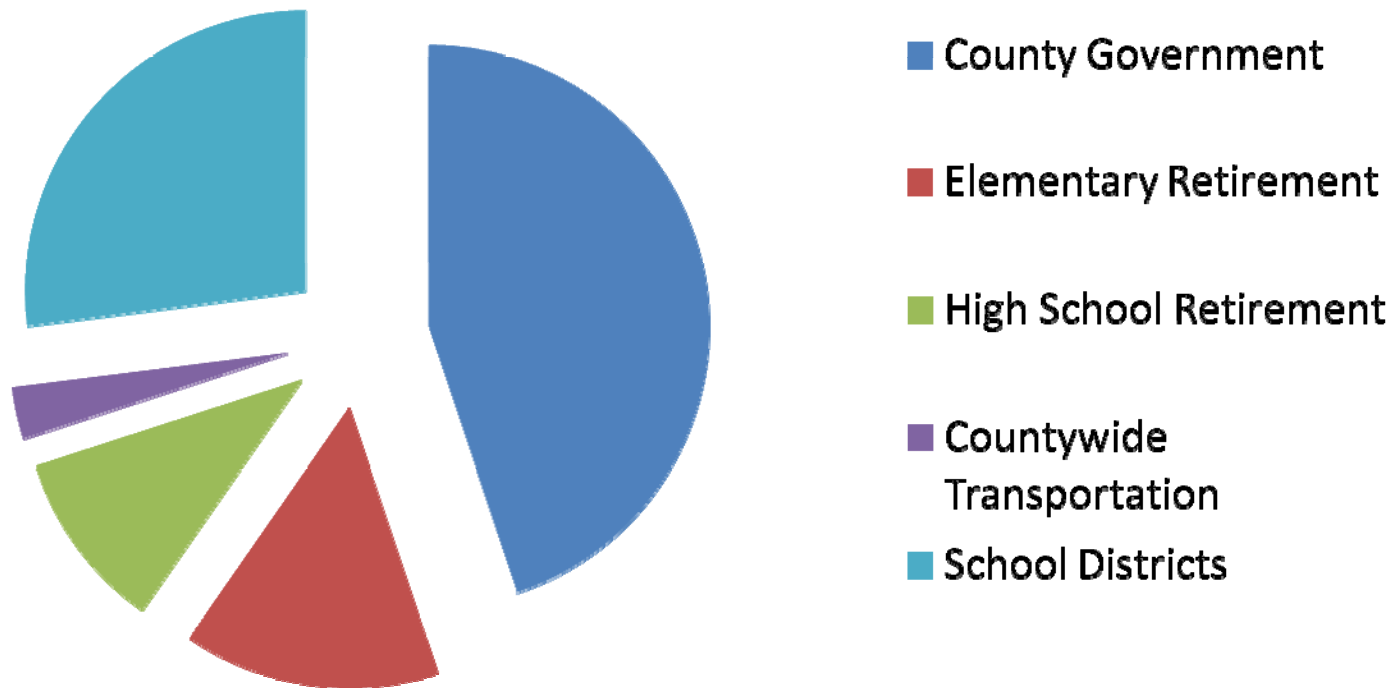
Montana  
Office of Public Instruction  
Dorcas Jensen, State Superintendent

opi.mt.gov

# Second Slice of the Pie

## MCA, 15-36-332

### Oil and Natural Gas Production Taxes Allocated to Each County



# DOR Quarterly Report

## Individual County Allocations

### COUNTY

BIG HORN

### ENTITY

### AMOUNT

Notice that DOR reports amounts distributed to schools by levy district. One school can belong to several levy districts.

County Government	\$132,486.74
Elementary Retirement	\$43,748.68
High School Retirement	\$30,603.40
Countywide Transportation	\$8,832.45
Community College	\$0.00
School Levy District 0020	\$67,472.17
School Levy District 1023	\$8,845.94
School Levy District 1025	\$1,691.24
School Levy District 4023	\$1,719.00
	<hr/>
	\$295,399.62

School Levy District 0020  
School Levy District 1023  
School Levy District 1025  
School Levy District 4023

School Levy District 0020	Includes	Spring Creek El LE 0020	and	Hardin HS	LE 1189
School Levy District 1023	Includes	Hardin El	LE 0023	and	Hardin HS LE 1189
School Levy District 1025	Includes	Lodge Grass El LE 0025	and	Lodge Grass HS	LE 1189
School Levy District 4023	Includes	Hardin El	LE 0023	and	Hardin HS LE 1189

# Third Slice of the Pie

## MCA, 15-36-332(4)(d)(i) and (ii)

Amounts distributed to each elementary and high school district is equal to the amount received from each levy district multiplied by the ratio that the total mills of the district(s) bear to the sum of the total mills for all elementary and high school districts.

Amount of School Levy District Distribution to Legal Entity (LE) =  
[(LE mills/total mills for all LEs in Levy District) X Levy District Distribution]

Example:

Spring Creek EI LE 0020

School Levy District 0020 distribution amount is \$66,837.94  
and includes Spring Creek EI LE0020 and Hardin HS LE 1189

Spring Creek EI mills = 1.89      Hardin HS mills = 58.42

Amount Distributed to Spring Creek EI LE 0020 =

$[(1.89 / (1.89 + 58.42)) \times \$66,837.94] = \$2,094.57$





## Section 8 of Senate Bill 329:

Oil and natural gas production taxes for school districts —  
allocation and limits

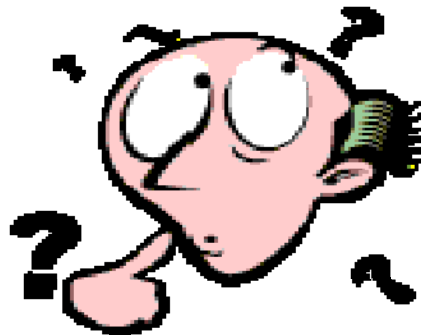
Subsection (1):

“The maximum amount of oil and natural gas production taxes that a school district may retain is 130% of the school district’s *maximum* budget in accordance with 20-9-308.”

Subsection (3):

“The department of revenue shall make the full quarterly distribution of oil and natural gas production taxes as required under 15-36-332(6) *until* the amount distributed reaches the limitation in subsection (1) of this section.”

Calendar Year 2011	Production Months	DOR Remits to County	Payments Made in FY2012
	Jan. – Mar.	On or before August 1	
	Apr. – June	On or before November 1	
	July – Sept.	On or before February 1	
	Oct. – Dec.	On or before May 1	



# Final Slice of the Pie

## SB 329, Section 8, Subsection (5)(a) and (5)(f)

“For fiscal year 2012, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 25% of the total oil and natural gas production taxes received by the district in the prior year *in all funds* or the general fund levy requirement.”

**Increases to 35% in FY13; 45% in FY14; and 55% in succeeding fiscal years**

And

“...all remaining oil and natural gas production tax revenue may be deposited in any budgeted fund.”

**No longer distribute to individual funds based on mills**



With the passage of Senate Bill 329, the distribution is now based on district's budgets.

When is the first distribution?

When are budgets adopted?

***OOPS!***

# OPI Recommends

1. County Treasurer's allocate the entire distribution received for a school district in August to the district's general fund.
2. Once the budgets are received, compare what was allocated to the general fund to what was budgeted in the general fund and adjust accordingly.

## HOW DO YOU KNOW WHAT WAS BUDGETED?

[http://www.opi.mt.gov/Finance&Grants/schoolfinance/Index.html#gpm1\\_6](http://www.opi.mt.gov/Finance&Grants/schoolfinance/Index.html#gpm1_6)

# OPI Recommends

After the first distribution, remaining quarters are distributed using one of two methods, depending on the communication with districts.

## 1. District provides you with an allocation method.

Distribute according to district's direction.

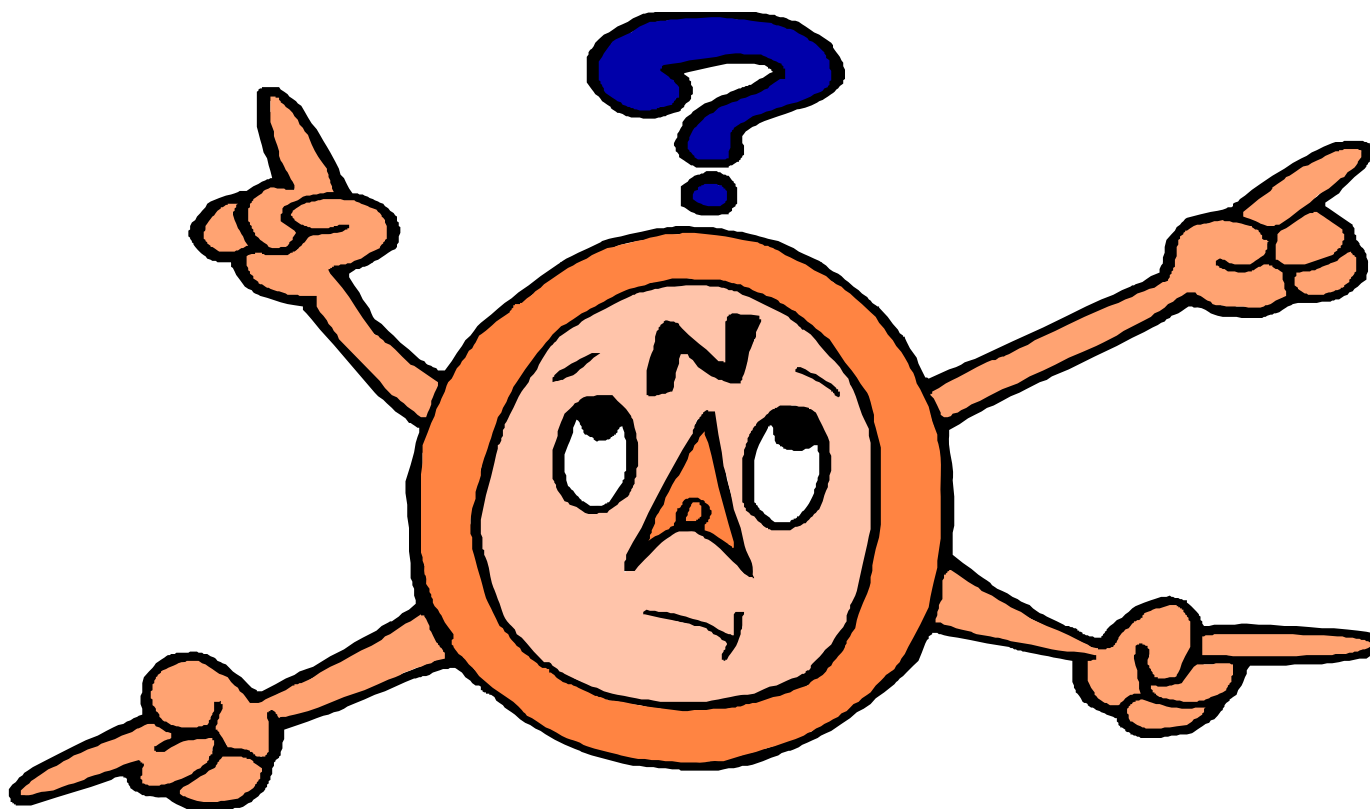
For Example:

- 100% budgeted in general fund first;
- 100% budgeted in transportation fund next;
- All remaining to Flex fund

## 2. No allocation method is provided by district.

Distribute 100% budgeted in general fund first, and then, proportionately to what was budgeted in each fund.

Where does the money w/held by the DOR go?





For fiscal year 2012, any amount of oil and natural gas production taxes exceeding the limitation (130% of district's maximum budget), must be deposited in the guarantee account as provided in 20-9-622.

Beginning in fiscal year 2013, any amount of oil and natural gas production taxes exceeding the limitation and retained by the department revenue, must be allocated as follows:

- 70%** must be deposited in the guarantee account.
- 5%** must be deposited in the state school oil and natural gas impact account.
- 25%** must be distributed to the counties for deposit in the county school oil and natural gas impact fund.



# State Special Revenue Fund, MCA, 17-2-102

## Senate Bill 329, Section 9:

“The purpose of this account is to provide money to schools that are not receiving oil and natural gas production taxes under 15-36-331 but are **impacted** by contiguous counties that are benefitting from receipt of oil and natural gas production taxes.”

School districts apply to the superintendent of public instruction for funds.

Qualifying events resulting from development or cessation of development of oil and natural gas:

- an unusual enrollment increase as determined pursuant to 20-9-314;
- a district's need to hire new teachers or staff as a result of increased enrollment;
- The opening or reopening of an elementary or high school approved by the superintendent of public instruction pursuant to 20-6-502 or 20-6-503; or
- Major maintenance for a school or district

OPI must adopt rules necessary to implement the application and distribution process

In reviewing applications, the following shall be considered:

- The local district's or school's need;
- The severity of energy development impacts;
- Availability of funds in the account; and
- The applicant district's ability to meet the needs identified in the application.



# County School Oil and Natural Gas Impact Fund

Money received in fund must remain in the fund until:



the amount of oil and natural gas production taxes received by a school district for the fiscal year is 30% or less of the amount of the average received by the district in the previous 4 fiscal years;

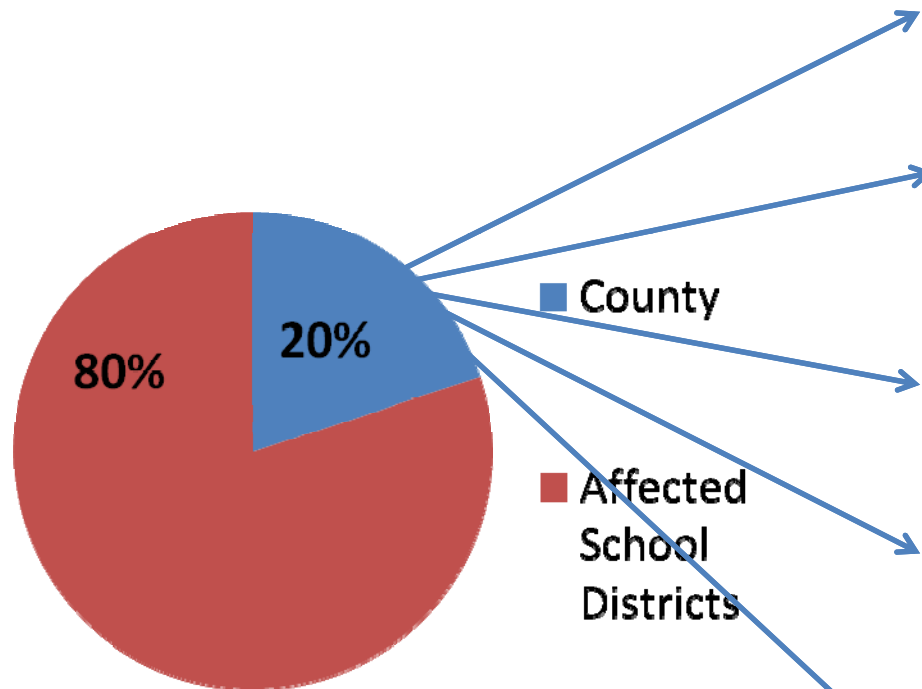


the average price of oil is \$50 a barrel or less for the fiscal year; or



the production of oil in the county drops 50% or more below the average oil production in the county during the immediately preceding 5-year period.

## County School Oil and Natural Gas Impact Fund Dollars



### Allowed Uses:

Pay for outstanding capital project bonds or other expenses incurred prior to the reduction in the price of oil.

Offset property tax levy increases that are directly caused by the cessation or reduction of oil and natural gas activity.

Promote diversification and development of the economic base within the jurisdiction.

Attract new industry to the area impacted by the changes in oil and natural gas activity.

Provide cash incentives for expanding the employment base of the area impacted by the changes in oil and natural gas activity.

# ENJOY YOUR PIE

